

The Chief Executive Office (CEO) advised County departments that, given the County's current fiscal outlook, they need to right size their budgets for Fiscal Year 2009-2010. While I agree that all departments must look for cost reductions, I am concerned that this approach will result in departments proposing funding cuts for audit services such as compliance audits, mandated reviews, Countywide contract reviews, fraud investigations and other audit related services provided by the Auditor-Controller.

The practice of the Auditor-Controller (A-C) billing departments for audit services started about thirty years ago in response to the federal Office of Management and Budget Circular A-87, as a way to increase the timeliness of County cost recovery. In A-C's current budget, it contained cost recovery for audit services from both subvented departments and general fund departments. While subvented departments may have the opportunities for reimbursement from State or federally-funded programs, the other general fund departments are bearing the full costs of the above-mentioned audit services. When overall budget climate is worsening, the A-C is now experiencing funding reduction proposals from many County departments.

Internal auditing standards require the A-C to audit based on risk, with the highest risk areas being given the highest priority. However, the need to bill departments in order to meet the A-C's budget has created conflicts with these internal auditing standards. Further, it may jeopardize the A-C's ability to respond to Board requests and to perform essential audit services as described above.

I, THEREFORE, MOVE that the CEO, in conjunction with the Auditor-Controller, report back within 60 days, with a plan to fund the above-mentioned audit services to, ultimately, reduce the risk of County departments' fiscal non-compliance and employees' or contractors' fraudulent activities.